

May 20, 2003

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

Dear Supervisors:

**APPROVE THE PURCHASE OPTION FOR SIX ADDITIONAL EUROCOPTER AS350B2  
HELICOPTERS, ANCILLARY EQUIPMENT AND SERVICES BY THE SHERIFF'S  
DEPARTMENT, AND APPROVE RELATED FINANCING PLAN  
(4 VOTES) (ALL DISTRICTS)**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICE  
THAT YOUR BOARD:**

1. Approve the execution of the purchase option as stipulated in the previously approved Purchase Agreement between the County, American Eurocopter Corporation (AEC) and Citicorp Real Estate, Inc., dated November 1, 2002, to acquire six (6) additional AS350B2 helicopters from American Eurocopter, including ancillary equipment and services, with an acquisition value of \$14.5 million in order to replace five (5) existing helicopters and one destroyed helicopter.
2. Authorize the Internal Services Department and Chief Administrative Office to obtain tax-exempt, lease financing for the six (6) additional replacement helicopters and ancillary equipment through a competitive bid process at an interest rate that does not exceed 5.0% and a lease term that does not exceed seven years and to execute any documents necessary to complete the transaction.

The Honorable Board of Supervisors  
May 20, 2003  
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3. Authorize the Sheriff's Department and Internal Services Department to proceed with the sale of the remaining five MD520N helicopters. The Sheriff's Department will return to the Board with an appropriation adjustment once the sales are finalized.
4. Approve the attached Appropriation Adjustment which increases the Sheriff's operating budget by \$955,000 to exercise the prepurchase option on an existing helicopter lease to be offset by the sale of two (2) Sheriff's existing helicopters.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Approval of the recommended actions will allow the Sheriff to complete the replacement of existing patrol helicopters that are aging, obsolete, incompatible with, or have been destroyed, with helicopters that better meet the Sheriff's mission through the use of a cost-effective lease financing plan.

#### **Background**

On August 27, 2002, your Board approved the execution of a purchase agreement between the County and American Eurocopter Corporation (AEC) to acquire six (6) AS350B2 helicopters and ancillary equipment and services. Your Board further directed that:

- the Chief Administrative Officer (CAO) and Sheriff enter into negotiations with AEC for the purchase of an additional six helicopters by the end of Fiscal Year 2002-2003, with the condition that no penalty be imposed on the County if it elects not to purchase the additional helicopters at that time; and
- the Internal Services Department (ISD) and the Sheriff sell six (6) existing helicopters to be replaced by the new AS350B2 helicopters and return to the Board with an appropriation adjustment as sales are finalized and apply the revenue from the sale to the prepayment of an existing helicopter lease and the current year payment on the new helicopters.

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The purchase agreement for the initial six (6) helicopters was executed on November 21, 2002 with a purchase cost of \$14.2 million. Financing was secured from Citicorp Real Estate (Citicorp) through a competitive bidding process directed by ISD and the CAO, for a seven year term and an overall interest rate of 3.643%.

The CAO and Sheriff were also successful in negotiating an option price of \$14.5 million, including tax and related ancillary services and equipment, for the additional six (6) helicopters from AEC. Per your Board's direction, there will be no financial penalty should the County elect not to acquire the additional six (6) helicopters. This pricing arrangement is available until May 23, 2003. Should your Board choose not to acquire the additional six (6) helicopters at this time, the CAO is estimating that their acquisition on individual basis over the next two years would cost an additional \$2.0 million due to the loss of a 7.5% volume discount that Eurocopter has extended through this purchase agreement and an assumed inflationary increase in pricing of 3% (See Attachment I).

The sale of six (6) helicopters from the existing fleet has been delayed due to unforeseen delays in the manufacturing of the replacement AS350B2 helicopters and the release of final approval by the Federal Aviation Agency. Delivery of the first six replacement aircraft to the County is now scheduled between mid May and July, 2003. To date, ISD and the Sheriff have accepted bids totaling \$955,000 for two (2) MD600 helicopters which will be executed later this month. The sale of another four (4) existing aircraft will proceed in July as the four remaining replacement helicopters approved by your Board in August 2002 are delivered to the County.

### **FISCAL IMPACT**

The cost for the additional six (6) AS350B2 patrol helicopters is \$14.5 million, including sales tax.

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Due to the Sheriff's seven-year helicopter replacement cycle and the low interest rates that remain available, it is recommended that the proposed acquisition be financed through a lease-purchase agreement with a third-party lender, as was completed for the initial six (6) AS350B2 helicopters.

Based on current rates and a term of seven years, the CAO is projecting a semi-annual lease payment for the additional helicopter purchases of \$1.2 million, commencing in 2003-04 with one semi-annual payment. Annual lease payments will increase to \$2.5 million in 2004-5 and continue through 2009-10, before declining to \$1.2 million in 2010-11. Total payments on the new lease are projected to equal \$17.7 million.

When combined with lease obligations associated with the initial six (6) AS350B2 helicopters that were financed in 2002, the aggregate lease payments for the 12-helicopter replacement fleet are estimated at \$1.2 million in 2002-03 and \$3.6 million in 2003-4. The payment requirements will increase to \$4.8 million in 2004-5 and continue at that level through 2008-09 before declining to \$3.6 million in 2009-10 and \$1.3 million in 2010-11.

Overall, lease payments will total \$28.7 million over the seven year term of the leases. A summary of the projected payment schedule for the replacement fleet is provided in Attachment II.

In terms of overall 2002-03 costs, the Sheriff will incur \$3.7 million for payments and prepayment of leases on its existing helicopters and new lease payments on the initial six replacement helicopters. Due to the prepayment and termination of the current leases, the Sheriff's helicopter lease costs will be limited almost entirely to the replacement fleet and are expected to be \$3.7 million in 2003-04.

### **Maintenance Costs**

Maintenance costs for the AS350B2 are anticipated to be significantly lower than the Sheriff's existing helicopters given its proven reliability and the cost efficiencies of using a single model.

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As detailed in Attachment III, maintenance costs for the complete replacement fleet of 12 AS350B2 helicopters is estimated at \$6.3 million between 2002-03 and 2008-09 which represents an overall savings of approximately \$746,106.00 from the projected cost of servicing the existing mixed fleet of AS350B2's and MD520N's over the same period. The availability of an initial warranty period to cover service requirements for the AS350B2 aircraft accounts for much of the maintenance cost savings, which are all realized in the early years.

### **FINANCING**

The Sheriff's 2002-03 operating budget currently appropriates \$2.7 million for current and new helicopter lease costs, including the transfer of \$1.2 million in revenue from the Narcotic Enforcement Fund that is scheduled to be approved by your Board on May 20, 2003 for new lease payments on the initial six (6) replacement helicopters. Approval of the attached appropriation adjustment will increase the Sheriff's operating budget by \$955,000 to reflect revenue from the sale of two existing MD600 helicopters that will be executed later this month. The resulting \$3.7 million appropriation will be sufficient to meet the current year funding requirements for the current and new helicopter leases. The table below summarizes the Sheriff's 2002-03 budgetary requirements with respect to the proposed transactions.

#### **Available Funding**

Existing 2002-03 Appropriation for Helicopter Leases	\$ 1,545,000
Plus: Anticipated Revenue from Auction of 2 Helicopters	955,000
Plus: Narcotic Enforcement Fund Appropriation	<u>1,158,000</u>
Total Available 2002-03 Funding for Helicopters	\$ 3,658,000

#### **Funding Requirements**

2002-03 Payment on Remaining Helicopter Leases	\$ 1,240,090
Prepayment of Existing MD600 Lease	1,260,000
2002-03 Payments on New AS350B2 Helicopter Lease	<u>1,157,914</u>
Total 2002-03 Helicopter Funding Requirements	\$ 3,658,004

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The sale of the remaining nine (9) helicopters in the existing fleet will be completed in 2003-04 and is expected to generate an estimated \$3.1 million in revenue which will be utilized to partially offset the \$3.6 million in aggregate lease payments due on the new helicopters in 2003-04. The Sheriff will absorb the remaining 2003-04 lease payments in their operating budget and will utilize Asset Forfeiture Funds to pay one-half of the lease payments each year through 2010. Sheriff's budgetary plans regarding use of Asset Forfeiture Funds are provided in Attachment IV.

#### **IMPACT ON CURRENT SERVICES**

The helicopter purchase now before your board will complete the replacement of the Sheriff's patrol and surveillance helicopter fleet. The new aircraft will provide upgraded operational capabilities to meet current mission requirements for the next seven years.

#### **CONCLUSION**

Please return one adopted copy of this letter to the CAO (Capital Projects/Debt Management Division), the Sheriff, and ISD.

Respectfully submitted,

LEROY D. BACA  
SHERIFF

DAVID E. JANSSEN  
Chief Administrative Officer

The Honorable Board of Supervisors  
May 20, 2003  
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LDB:DEJ  
JAD

Attachments

c:           Executive Officer, Board of Supervisors  
              Auditor-Controller  
              County Counsel  
              Internal Services Department

COUNTY OF LOS ANGELES  
REQUEST FOR APPROPRIATION ADJUSTMENTDEPT'S.  
No. 770

DEPARTMENT OF SHERIFF

May 13, 2003

## AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

## ADJUSTMENT REQUESTED AND REASONS THEREFOR

- 4 VOTES -

## SOURCES

SHERIFF'S DEPARTMENT - GENERAL SUPPORT  
REVENUE - SALE OF FIXED ASSET - EQUIPMENT  
A01 - SH - 15687 - 9909  
\$955,000

## USES

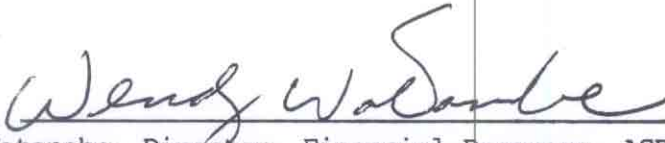
SHERIFF'S DEPARTMENT - GENERAL SUPPORT  
OTHER CHARGES  
A01 - SH - 15687 - 5500  
\$955,000

TOTAL \$955,000

\$955,000

JUSTIFICATION: THIS ADJUSTMENT WILL INCREASE APPROPRIATION AND REVENUE IN THE SHERIFF'S BUDGET TO REFLECT UNANTICIPATED REVENUE RELATED TO THE SALE OF TWO (2) SHERIFF'S DEPARTMENT HELICOPTERS THROUGH BID AUCTION AND TO PROVIDE FOR THE PRE-PURCHASE COSTS FOR AN EXISTING HELICOPTER LEASE

PAGE 1 OF 1

  
Wendy Watanabe, Director, Financial Programs, ASD

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF  
ADMINISTRATIVE OFFICER FOR—

ACTION

APPROVED AS REQUESTED

AS REVISED

✓  
RECOMMENDATION

MAY 13, 2003 10

  
CHIEF ADMINISTRATIVE OFFICERAPPROVED (AS REVISED):  
BOARD OF SUPERVISORS

19

BY

DEPUTY COUNTY CLERK

AUDITOR-CONTROLLER BY

BY

No. 240

MAY 13 2003



## Pricing Comparison: Purchasing 12 Units per Contract (includes exercise of option) vs. Incremental Purchases

Prices on 12-Unit Contract		Incremental Purchases					Cost increase for Incremental Purchase
New Unit Price	Assumed Increment Purchase Date	Price Increases Compared to 12 Unit Purchase				Total Unit Price	
		No Volume Discount Add 7.5%	No Waiver of Current Year Escalation Add 3%	2nd Year Escalation Add 3%			
Initial 6 Aircraft (2002)							
A/C Type							
LACS#1 Video	\$2,168,299	8/15/2002	\$162,622	\$69,928		\$2,400,849	\$232,550
LACS#2 Video	\$2,168,299	8/15/2002	\$162,622	\$69,928		\$2,400,849	\$232,550
LACS#3 Video	\$2,168,299	8/15/2002	\$162,622	\$69,928		\$2,400,849	\$232,550
LACS#4 Utility	\$2,016,393	8/15/2002	\$151,229	\$65,029		\$2,232,651	\$216,258
LACS#5 Patrol	\$2,303,931	7/15/2003	\$172,795	\$74,302	\$76,531	\$2,627,558	\$323,627
LACS#6 Patrol	\$2,303,931	7/15/2003	\$172,795	\$74,302	\$76,531	\$2,627,558	\$323,627
SubTotal	\$13,129,152		\$984,686	\$423,415	\$153,062	\$14,690,315	\$1,561,163
Sales Tax	\$1,083,155		\$81,237	\$34,932	\$12,628	\$1,211,951	\$128,796
TOTAL	\$14,212,307		\$1,065,923	\$458,347	\$165,689	\$15,902,266	\$1,689,959
Optional 6 Aircraft (2003)							
A/C Type							
LACS#7 Patrol	\$2,237,500	7/15/2003	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
LACS#8 Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
LACS#9 Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
LACS#10 Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
LACS#11 Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
LACS#12 Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$74,324	\$2,551,796	\$314,296
SubTotal	\$13,425,000		\$1,006,875	\$432,956	\$445,945	\$15,310,776	\$1,885,776
Sales Tax	\$1,107,563		\$83,067	\$35,719	\$36,790	\$1,263,139	\$155,577
TOTAL	\$14,532,563		\$1,089,942	\$468,675	\$482,735	\$16,573,915	\$2,041,353

**Sheriff's Department Aircraft Maintenance Cost Projections 2002-07**  
**Replacement Fleet versus Existing Fleet**

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	TOTAL
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SUMMARY OF MAINTENANCE COST COMPARISON - Based on 9600 flying hours each year

A. Existing Fleet (6 AS350B2's, 6 MD520's)

Annual Maintenance Costs of Existing Fleet

6 AS350B2's	\$ -	\$ 110,600	\$ 268,600	\$ 501,600	\$ 548,160	\$ 575,040	\$ 575,040	\$ 2,579,040
MD520's	\$ 1,255,632	\$ 554,750	\$ 962,988	\$ 551,980	\$ 245,284	\$ 349,232	\$ 555,360	\$ 4,475,226
Total Annual Maintenance Costs	\$ 1,255,632	\$ 665,350	\$ 1,231,588	\$ 1,053,580	\$ 793,444	\$ 924,272	\$ 1,130,400	\$ 7,054,266

B. Fully Replaced Fleet (12 AS350B2's)

Annual Maintenance Costs for Fleet	\$ 221,200	\$ 537,200	\$ 1,003,200	\$ 1,096,320	\$ 1,150,080	\$ 1,150,080	\$ 1,150,080	\$ 6,308,160
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C. Additional Costs/(Savings) of Maintenance	\$ (1,034,432)	\$ (128,150)	\$ (228,388)	\$ 42,740	\$ 356,636	\$ 225,808	\$ 19,680	\$ (746,106)
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**Projected Payment Schedule for Helicopter Financing**

Financing Structure: Two tax-exempt lease schedules to be funded by third party lessor into escrow; payments due semiannually in arrears. County to disburse payments as they become due.

Purchase costs financed: \$28,744,871; lease 1: \$14,212,307 and lease 2: \$14,532,564

Fiscal Year	Lease 1 (Lessor: Citicorp) Actual	Lease 2 Projected	Projected Annual Payment	Fiscal Year
2002-3	1,157,914		1,157,914	2002-3
	1,157,914			
2003-4	1,157,914	1,243,065	3,558,893	2003-4
	1,157,914	1,243,065		
2004-5	1,157,914	1,243,065	4,801,958	2004-5
	1,157,914	1,243,065		
2005-6	1,157,914	1,243,065	4,801,958	2005-6
	1,157,914	1,243,065		
2006-7	1,157,914	1,243,065	4,801,958	2006-7
	1,157,914	1,243,065		
2007-8	1,157,914	1,243,065	4,801,958	2007-8
	1,157,914	1,243,065		
2008-9	1,157,914	1,243,065	4,801,958	2008-9
	1,157,914	1,243,065		
2009-10		1,243,065	3,644,044	2009-10
		1,243,065		
2010-2011			1,243,065	2010-2011
Total Payment	16,210,796	17,402,910	33,613,706	
Principal Portion	14,212,307	14,532,564	28,744,871	
Interest Portion	1,998,489	2,870,346	4,868,835	

## Notes:

Lease 1 was completed in November 2002 at a 3.643% APR.

Lease 2 assumes funding date in May 2003, at a 5.0% APR, with one payment in fiscal 2003-04

Sheriff cash flow.xls

14,532,564  
0.05  
14  
(\$1,243,065.02)

761551N25A-SH-AD32A (2/72)

## COUNTY OF LOS ANGELES

## SHERIFF'S DEPARTMENT

DATE: October 17, 2002

FILE NO.

OFFICE CORRESPONDENCE

FROM:

  
R. DOYLE CAMPBELL, CHIEF  
SPECIAL OPERATIONS DIVISIONTO: PAUL K. TANAKA, A/CHIEF  
ADMINISTRATIVE SERVICES  
DIVISION

SUBJECT: REQUEST FOR USE OF ASSET FORFEITURE FUNDS

The use of Asset Forfeiture funds was part of the funding strategy briefed to the Board of Supervisors in obtaining approval to lease/purchase a total of 12 patrol helicopters over the next two fiscal years. In keeping with that strategy and in an effort to reserve funding for this fiscal year's lease payments and future payments, it will be necessary to reserve forfeiture funds through FY 2009 -10.

In discussions with the CAO, we have learned that the lease payments for the first six helicopters will total \$570,000.00 per quarter, beginning January 15, 2003. For this fiscal year, a total of \$1,140,000.00 will be required to make payments due in January and April, 2003. The Board's approval of this lease/purchase was contingent on our ability to totally off-set this year's payments with proceeds from the sale of six helicopters.

Although Aero Bureau is proceeding with that endeavor, the first of two lease payments will be due on January 15, 2003 which have not been previously budgeted and will require the use of Asset Forfeiture funds to supplement the payment until the proceeds from the sale of the six helicopters are fully realized later in the year. The schedule for the sale of the current fleet has been delayed pending the issuance of a Purchase Order and firm delivery dates of the new aircraft. Although these dates are anticipated by June, 2003, Aero Bureau cannot sell the existing fleet until the delivery dates are confirmed and replacement aircraft are guaranteed. It is still anticipated, however, that all six aircraft will be sold and the revenue realized, this fiscal year.

In addition to the funds needed this year (which will be repaid), additional funds are needed to be reserved next fiscal year and each year of the lease contract (seven years) through FY 09-10, to ensure adequate funding. In FY 03-04 the lease payments on the six helicopters will total \$2,280,000.00. In anticipation of the Board's approval to lease/purchase the additional six helicopters in FY 03-04, an additional \$1,140,000.00 will be needed to cover the lease payments on the six new helicopters. These payments will likely begin in January, 2004.

Ok - Paul K. Tanaka  
10-18-02



## Use of Asset Forfeiture Funds

-2-

October 17, 2002

The total of lease payments in FY 03-04 will amount to \$3,420,000.00, of which \$1,750,000.00 will be off-set by the sale of the five remaining MD helicopters.

Beginning in FY 04-05, the annual lease payments will total \$4,560,000.00. Therefore, it is recommended that the Executive Planning Council approve the use of Asset Forfeiture funds beginning this fiscal year, through FY 09-10 in the amounts outlined below. This will ensure partial funding of the lease payments through the life of the lease. The remaining balance due on the annual lease payments will become part of anticipated budget expenditures each fiscal year through FY 10 -11.

<u>FISCAL YEAR</u>	<u>LEASE PAYMENT</u>	<u>ASSET FOR.</u>	<u>BALANCE DUE</u>
FY 02 - 03	\$1,140,000.00	\$1,140,000.00 <sup>1</sup>	\$ 0
FY 03 - 04	\$3,420,000.00	\$2,750,000.00 <sup>2</sup>	\$670,000.00 <sup>3</sup>
FY 04 - 05 thru FY 08 - 09	\$22,800,000.00 <sup>4</sup>	\$11,400,000.00	\$11,400,000.00
FY 09 - 10	\$3,420,000.00	\$1,140,000.00	\$2,280,000.00
FY 10 - 11	\$1,140,000.00	\$ 0	\$1,140,000.00
<b>TOTALS</b>	<b>\$31,920,000.00</b>	<b>\$16,430,000.00</b>	<b>\$15,490,000.00</b>

The use of Asset Forfeiture funds will greatly reduce the budget impact of the increased lease payments through the life of the lease and ensure funding for all 12 helicopters.

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<sup>1</sup> Entire amount will be off-set by sale of six MD helicopters and returned to the Asset Forfeiture account.

<sup>2</sup> The amount requested DOES NOT reflect \$1,750,000.00 in anticipated revenue generated by the sale of five MD helicopters in FY 03 - 04. The revenue generated by these sales will release a like amount back to the Asset Forfeiture Account.

<sup>3</sup> This amount may be further reduced by applying the appropriated lease payments for FY 03 - 04 on the MD 600's which will be sold this FY. That amount totals \$732,000.00 and will result in a zero net county cost for FY 03-04.

<sup>4</sup> Total lease payments for all 12 helicopters, based on CAO estimate and assumption of identical lease terms for the second six helicopters purchased in FY 03 - 04.

Oct-18-02 11:46A LASD - Narco

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**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT***A Tradition of Service Since 1850*

Date: October 18, 2002

OFFICE CORRESPONDENCE

FROM: R. DOYLE CAMPBELL, CHIEF  
SPECIAL OPERATIONS DIVISION

TO: PAUL K. TANAKA, A/CHIEF  
ADMINISTRATIVE SERVICES DIVISION

SUBJECT: REQUEST TO USE ASSET FORFEITURE FUNDS

The Budget Authority is requested to authorize the use of asset forfeiture funds for the following purpose for Special Operations Division, Aero Bureau:

Proposed UseAmount Requested

Funding to assist with the lease payments on the six new AS350B2 helicopters (SEE ATTACHED DOCUMENTS AND PAYMENT SCHEDULE).

\$16,430,000.00

The Narcotics Special Enforcement Fund has sufficient unallocated funds for this purpose:

Fiscal Administration, Special Fund Accounting:

Judi E. Thomas  
Name

10/18/02  
Date

The proposed funding use complies with established guidelines relative to the equitable sharing of federally forfeited property for state and local law enforcement.

County Counsel:

Paula J. Gable  
Name

10/21/02  
Date

Chief of Detective Division:

Michael E. Soderberg  
Michael E. Soderberg, Chief

10-21-02  
Date

Narcotics Bureau Asset Forfeiture:

Terrence J. Smith  
Terrence J. Smith, Sergeant

10-18-02  
Date

RDC:JAD:RH:rh